



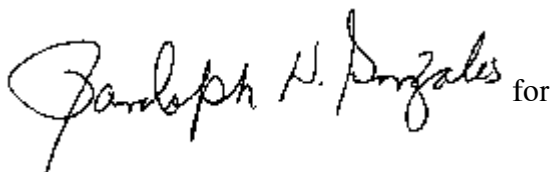
Title: I, Payroll/Personnel Manual
Chapter: 28, Section 2, Tax Formulas (TAXES)
Bulletin: TAXES 07-37, Northern Mariana Islands Income Tax Withholding
Date: December 17, 2007
To: Holders of TAXES (Northern Mariana Islands only)
Personnel User Groups
T&A Contact Points in Northern Mariana Islands

Currently, income tax for the Commonwealth of the Northern Mariana Islands (CNMI) is withheld as Federal income tax, and is remitted to CNMI by the Internal Revenue Service. Beginning with wages paid for Pay Period 25, the National Finance Center (NFC) will change the calculation of income tax for CNMI. CNMI tax will now be withheld as state income tax and remitted directly to CNMI.

The new formula will contain Chapter 2 tax, Northern Marianas Wage & Salary Tax (WST), and Chapter 7 tax, Northern Marianas Territorial Income Tax (NMTIT). The Chapter 2 tax is a percentage of the annual gross wages. The Chapter 7 tax is calculated using the Federal income tax exemption code and the Federal withholding formula. Both Chapter 2 and Chapter 7 taxes can be found on the Information/Research Inquiry System (IRIS) screen IR105, State Tax. The Chapter 2 tax will be displayed as State Code CQ, under State Tax 1, and the Chapter 7 tax will be displayed as State Code 88, under State Tax 2. Earnings and Leave statements will have two state tax line items to denote Chapter 2 and Chapter 7 tax withholdings. They will be listed as State Codes CQ2 and CQ7. All employees working in the Northern Mariana Islands will be required to pay the Chapter 2 taxes, including employees who file Exempt from Federal Tax.

To view the updated tax formula, go to NFC's Home Page (www.nfc.usda.gov) and click **Pubs & Forms**. Then at the Pubs & Forms page left-hand menu, click **Tax Formulas** and select the appropriate territory from the map provided. Changes on the tax formula are identified by "►◄". For more information regarding the Federal Income Tax formula, refer to the **Federal Income Tax Withholding Formula** section under tax formulas on the NFC's Home Page.

For questions about NFC processing, contact the Payroll/Personnel Call Center at **504-255-4630**.



for

MARK J. HAZUDA, Director
Government Employees Services Division

Northern Mariana Islands Territorial Income Tax Information

State Abbreviation:	CQ
State Tax Withholding State Code:	CQ
Acceptable Exemption Form:	W-4
Basis For Withholding:	►Federal Exemptions◄
Acceptable Exemption Data:	S, M / Number of Exemptions
TSP Deferred:	Yes
Special Coding:	None
Additional Information:	►IR105, State Tax: Chapter 2, Wage & Salary Tax Formula, State Code CQ (State Tax 1) Chapter 7, Income Tax Formula, State Code 88 (State Tax 2)

Withholding Formula (Effective Pay Period 25, 2007)

1. Determine the annual Chapter 7 tax by using the Federal income tax formula. Refer to the **Federal Income Tax Withholding Formula** section under tax formulas on the NFC's Home Page (www.nfc.usda.gov).
2. Determine the Chapter 2 tax by multiplying the gross biweekly wages by 27 to obtain the gross annual wages.
3. Apply the gross annual wages from step 2 to the table below to determine the annual Chapter 2 tax withholding:

Estimated Annual Salary:		The Percentage Amount Is:
Over:	But Not Over:	
\$ 0	\$ 1,000	0.0%
1,000	5,000	2.0%
5,000	7,000	3.0%
7,000	15,000	4.0%
15,000	22,000	5.0%
22,000	30,000	6.0%
30,000	40,000	7.0%
40,000	50,000	8.0%
50,000	and over	9.0%

4. Divide the annual Chapter 2 income tax withholding by 27 to obtain the biweekly income tax withholding.
5. Subtract the Chapter 2 tax withholding amount (completed in step 4) from the Chapter 7 tax withholding amount (completed in step 1) to obtain the withholding amount. If the result is less than or equal to zero, the new Chapter 7 tax amount will be zero.
6. To determine the final tax amount, the employee must add the new Chapter 7 tax withholding amount (calculated in step 5) to the Chapter 2 tax withholding amount (calculated in step 4).◄